

(1) sales tax exemption on the purchase of construction materials that would generate an approximately \$63,000 savings during the construction period and

(2) real property tax abatement in the amount of 100% abatement for four years and then 50% abatement for the next 6 years, resulting in a net 70% abatement over a ten year period, which is projected to produce a savings of \$965,000 over the ten year period.

On June 15, 2021, the City Council approved Ordinance No. 9171 which approved the Southside Plaza LCRA Redevelopment Plan to implement the tax abatement items summarized above. Following the LCRA Plan approval, the final step to implement the previously-approved abatement mechanisms is an amended CID Petition to provide the CID with authority to impose special assessments in the amount of the abatement real property taxes. This will create a revenue stream for the Developer to serve as a source of reimbursement for the shopping center improvements.

The special assessments are requested because the leasing structure at the shopping center uses triple-net leases, under which the tenants pay all maintenance costs, all real property taxes and all rent and utilities. The tax abatement previously approved by the City Council through the LCRA Plan provides an immediate benefit only to the tenants because the lower real property taxes slow through to the tenants. Allowing the CID to impose special assessments is a replacement for the abated taxes which are also passed on to the tenants.

As a result of this structure, the tenants pay the same tax bill as if the real property taxes were still in place, and the special assessment component of the tax bill which is collected by the CID becomes a reimbursement source to the Developer, thereby carrying out the package of incentives that were previously approved by the City Council.

Impact/Analysis:

The requested CID Petition amendment will carry out the original incentive structure that was approved by the City Council. This step would achieve the amount of reimbursement originally authorized by the City Council through use of the CID. The ordinance will also approve an Amended and Restated Cooperative Agreement to reflect that the maximum amount of reimbursement as originally authorized in the Cooperative Agreement will be provided through three sources - the CID revenues, the sales tax exemption on construction materials and the real property tax abatement coupled with the CID special assessments in the amount of the abated taxes.

Timeline:

Start: 2021

Finish: 2021-22

Other Information/Unique Characteristics:

This request is being made by the Developer to supplement the gap in reimbursement associated with the CID that has already been approved by the City Council.

Chris Kline, Husch Blackwell

Andrew Brain, Brain Dev 3, LLC

David Bushek, Chief Counsel of Economic Development & Planning

Mark Dunning, Assistant City Manager

Recommendation: Staff recommends approval of the ordinance.

Committee Recommendation: Not applicable -- Council action only.